

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-08 /019 W

-----013473 082111Z /66

R 081305Z SEP 77

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5145

INFO AMEMBASSY AMMAN

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMCONSUL DHAHRAN

UNCLAS BEIRUT 4441

E.O. 11652: N/A

TAGS: ENRG, SA, LE

SUBJECT: GOL PROPOSAL TO RESUME TAPLINE CRUDE EXPORTS THROUGH
LEBANON

REF: USDOC WASHDC#

1. BEIRUT PRESS AND MIDDLE EAST ECONOMIC SURVEY REPORT NEW
GOL INITIATIVE TO RESUME TAPLINE CRUDE EXPORT OPERATIONS THROUGH
MEDITERRANEAN TERMINAL AT ZAHRANI. (PRESENT TAPLINE DELIVERIES
TO ZAHRANI ARE REFINED FOR LEBANESE DOMESTIC CONSUMPTION
ONLY). GOL EFFORT REPORTEDLY SEEKS TO RESTRUCTURE OPERATION AS
WELL AS REPLACE TRANSIT FEE SYSTEM WITH PROFIT SHARING ARRANGEMENT
AMONG TAPLINE AND THE FOUR TRANSIT STATES.

2. ACCORDING TO PRESS REPORTS, INITIATIVE TOOK THE FORM OF A
REQUEST BY MINISTER OF INDUSTRY AND PETROLEUM MICHEL DOUMIT TO
TAPLINE MANAGEMENT TO PRODUCE A WORKING PLAN FOR REVIVING THE
EXPORT OPERATION. TAPLINE PRODUCED A DRAFT AGREEMENT THAT WILL
SERVE AS THE BASIS FOR NEGOTIATIONS SCHEDULED TO BEGIN IN LATE
SEPTEMBER AMONG TAPLINE AND THE TRANSIT STATES. PRESS DESCRIBES
THE TAPLINE DOCUMENT AS PROPOSING FOUR POINTS: (1) RENUNCIATION
BY THE TRANSIT STATES OF THEIR TRANSIT FEES IN FAVOR OF DIRECT
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PARTICIPATION IN THE OPERATING PROFITS; (2) ADMINISTRATION OF
THE PIPELINE BY A COMMISSION MADE UP OF REPRESENTATIVES OF THE
TRANSIT STATES; (3) DEFINITION OF NET PROFITS; AND (4) FIXING
OF TAPLINE'S SHARE OF NET PROFITS AT 20 PERCENT. ARTICLE DEFINES
NET PROFITS IN POINT (3) AS THE DIFFERENCE BETWEEN THE CRUDE
PRICE EX RAS TANNOURA AND THAT EX ZAHRANI AFTER ALL TAPLINE
OPERATING EXPENSES HAVE BEEN DEDUCTED.

3. FOCUS OF NEGOTIATIONS WILL BE HOW TO DIVIDE REMAINING 80 PERCENT OF PROFITS AMONG THE TRANSIT STATES. PRESS SPECULATES THAT GOL'S AIM IN NEGOTIATIONS WILL BE TO WIN SAUDI ACCEPTANCE OF AN EVEN SPLIT, 20 PERCENT TO EACH STATE. UNDER THIS FORMULA AND ASSUMING PIPELINE OPERATES AT CAPACITY OF 500,000 BBLs PER DAY, OPERATION ACCORDING TO PRESS ACCOUNTS WOULD PRODUCE NET PROFITS OF \$50 MILLION PER YEAR OF WHICH LEBANON WOULD GET \$10 MILLION AS AGAINST \$2 MILLION EARNED UNDER CURRENT TRANSIT FEE SYSTEM. ALTERNATIVE TO THE EVEN SPLIT WOULD BE CONTINUATION OF PRESENT PROPORTIONAL FORMULA WHEREBY SAUDIS RECEIVE 58 PERCENT AND LEBANON, SYRIA AND JORDAN 14 PERCENT EACH OF TRANSIT FEE INCOME.

4. COMMENT: REGARDLESS OF FINAL ARRANGEMENT TO SPLIT PROFITS, ABILITY OF TAPLINE TO COMPETE SUCCESSFULLY WITH VLCC TANKERS WOULD SEEM TO DEPEND ON WORLDSCALE FIXINGS AND THUS ON A RATHER VULNERABLE AND WE ASSUME FLEXIBLE PRICE STRUCTURE. THE FIRST FIGURE PROPOSED IN BEIRUT PRESS FOR THE GROSS DIFFERENTIAL BETWEEN RAS TANNOURA AND ZAHRANI (BEFORE TAPLINE'S COSTS DEDUCTED) IS 40 CENTS PER BARREL. WE WOULD WELCOME FROM POSTS FOR WHOM SUCH CALCULATIONS ARE EVERYDAY FARE THEIR VIEWS AS TO WHETHER AT THIS DIFFERENTIAL TAPLINE, GIVEN ITS MODEST SIZE AND EFFICIENCY IN RELATION TO MODERN PIPELINES AND THE STRONG COMPETITION IT FACES FROM TANKERS, HAS A REALISTIC CHANCE OF RE-ESTABLISHING ZAHRANI AS A CRUDE EXPORT TERMINAL.

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NOTE BY OC/T: #AS RECEIVED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Executive Order: N/A
Errors: N/A
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Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Event:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1353791
Secure: OPEN
Status: NATIVE
Subject: GOL PROPOSAL TO RESUME TAPLINE CRUDE EXPORTS THROUGH LEBANON
TAGS: ENRG, SA, LE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/447daa4a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009